



DEPARTMENT OF THE ARMY

U.S. Army Corps of Engineers
WASHINGTON, D.C. 20314-1000

REPLY TO
ATTENTION OF:

12 NOV 1998

CERE-PS (405)

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: CFO Issues that Impact Real Estate

1. References:
 - a. CECS memo dtd 10 May 94, subj: Reconciliation of Real Property Inventory
 - b. CEAO memo dtd 01 Aug 96, subj: Real Property Inventory
 - c. CEAO memo dtd 01 Aug 96, subj: CFO Act Responsibilities
2. The purpose of this memo is to forward draft guidance for your review and comment. The guidance addresses some of the CFO issues that you may encounter this FY. The Chief has established as a goal that the Corps obtain an unqualified audit opinion of the Corps' financial statement in FY99. While this is a resource management (RM) lead, Real Estate as recorders of real property information must work closely with RM. We have a critical supporting role in meeting the chief's goal.
3. It is important that Real Estate clearly identifies their responsibility to assist the RM in establishing quality information on real property assets. We have worked here in the HQ's, as part of the Real Property Task Force chaired by John Templeton, to identify real property issues and worked to resolve them with the RM and AAA auditors to help minimize the work required in establishing a baseline of real property interests and assets.
4. Attached are two documents that have been prepared. The first document is guidance for placing land assets in service. This document was prepared to address the concerns HQ's received regarding large land acquisitions and all the administrative work required to record the acquisition costs for land assets at the individual tract level. We believe that this guidance will help solve the problem, we request you review and provide comments to further the coordination effort. The second document is provided for information on some of the problems identified to date on asset management that we have experienced as part of the COEMIS conversion and subsequent audits. Many of these problems are RM/CEFMS related, however, you may need to become familiar with the problems to help define where the solution lies in your district.

12 NOV 1993

CERE-PS (405)

SUBJECT: CFO Issues that Impact Real Estate

5. There is an issue that will impact real estate workload that is identified as a potential obstacle in obtaining an unqualified AAA opinion. A particular concern is the issue of zero valued assets. It is important that the cost basis be used as the primary method of defining asset value, except in areas where we do not have the records or where the asset has been donated. In those cases, the previous guidance provided by the referenced CECS memo will apply.

6. You will need to ensure that the real property assets that were acquired and entered in REMIS accurately reflect costs, and can withstand a reasonable audit evaluation. To date AAA has accepted reasonable documented approaches to cost estimation. Areas where districts have no rational documented basis for costs or where there is disagreement with issued guidance and the asset does not have a cost (zero value), are problems identified by the audit teams that will prevent the issuance of an unqualified opinion. Please ensure that all tracts (fee and lesser interest) reflect costs where appropriate. For those tracts where the costs cannot be defined or estimated, there is an automated script procedure we are evaluating, and will be issued under separate cover to assist in placing a cost to our land assets including easements. The REMIS support team (404-562-5064) is also available to assist in developing other types of scripts that maybe useful in data manipulation.

7. There is another real estate area on which you will need to concentrate your efforts. It is important to review your temporary easements in REMIS, and ensure that there is an expiration date, and identify any easements that have expired. The costs associated with the expired easements will have to be reported to RM so that the proper accounting treatment can be accomplished.

8. Many of you have worked hard in reconciling the real property records with the accounting records and are commended for your hard work. However, as the auditors get into the detail it appears that there is additional work that needs to be accomplished across the command to ensure success. Your cooperation and attention to these issues will ensure the Chief meets his goal of getting the unqualified opinion for the Corps of Engineers. I want to thank you and your people in advance for their hard work on meeting this goal.

FOR THE COMMANDER:

Encl



B. J. FRANKEL

Director of Real Estate

CERE-PS (405)

12 NOV 1996

SUBJECT: CFO Issues that Impact Real Estate

DISTRIBUTION:

COMMANDER,
GREAT LAKES and OHIO RIVER DIVISION, ATTN: CELRD-ET-R
CHICAGO DISTRICT, ATTN: CELRC-RE
DETROIT DISTRICT, ATTN: CELRE-RE
HUNTINGTON DISTRICT, ATTN: CELRH-RE
LOUISVILLE DISTRICT, ATTN: CELRL-RE
NASHVILLE DISTRICT, ATTN: CELRN-RE
PITTSBURGH DISTRICT, ATTN: CELRP-RE
MISSISSIPPI VALLEY DIVISION, ATTN: CEMVD-RE
MEMPHIS DISTRICT, ATTN: CEMVM-RE
NEW ORLEANS DISTRICT, ATTN: CEMVN-RE
ROCK ISLAND DISTRICT, ATTN: CEMVR-RE
ST. LOUIS DISTRICT, ATTN: CEMVS-RE
ST. PAUL DISTRICT, ATTN: CEMVP-RE
VICKSBURG DISTRICT, ATTN: CEMVK-RE
NORTHWESTERN DIVISION, ATTN: CENWD-ET-R
KANSAS CITY DISTRICT, ATTN: CENWK-RE
OMAHA DISTRICT, ATTN: CENWO-RE
PORTLAND DISTRICT, ATTN: CENWP-RE
SEATTLE DISTRICT, ATTN: CENWS-RE
WALLA WALLA DISTRICT, ATTN: CENWW-RE
NORTH ATLANTIC DIVISION, ATTN: CENAD-ET-R
BALTIMORE DISTRICT, ATTN: CENAB-RE
NEW ENGLAND DISTRICT, ATTN: CENAE-RE
NEW YORK DISTRICT, ATTN: CENAN-RE
NORFOLK DISTRICT, ATTN: CENAO-RE
PACIFIC OCEAN DIVISION, ATTN: CEPOD-RE
ALASKA DISTRICT, ATTN: CEPOA-RE
HONOLULU DISTRICT, ATTN: CEPOH-RE
SOUTH ATLANTIC DIVISION, ATTN: CESAD-ET-R
JACKSONVILLE DISTRICT, ATTN: CESAJ-RE
MOBILE DISTRICT, ATTN: CESAM-RE
SAVANNAH DISTRICT, ATTN: CESAS-RE
SOUTH PACIFIC DIVISION, ATTN: CESP-RE
ALBUQUERQUE DISTRICT, ATTN: CESPA-RE
LOS ANGELES DISTRICT, ATTN: CESPL-RE
SACRAMENTO DISTRICT, ATTN: CESPK-RE
SOUTHWESTERN DIVISION, ATTN: CESWD-ETR
FORT WORTH DISTRICT, ATTN: CESWF-RE
GALVESTON DISTRICT, ATTN: CESWG-RE
LITTLE ROCK DISTRICT, ATTN: CESWL-RE
TULSA DISTRICT, ATTN: CESWT-RE

Guidance for Placing Land Assets in Service

Current Status (6 Nov 98)

For operation in CEFMS, the general rule of thumb for Real Property is one Asset Work Item per piece of Real Property. There is no Set capability for Real Property like there is for Personal Property. Currently, the Districts have been creating separate property id codes for each Tract of Land and placing each Tract in service separately. Following this methodology, the District would have to create a separate Asset Work Item for each Tract. This would also mean that all costs incurred in the acquisition of the Tract would have to be allocated to the individual Asset Work Item.

However, Real Estate does not always operate this way. Many times the costs are incurred by ownership (one owner – multiple Tracts) or otherwise where a single cost item covers multiple pieces of Land. Placing each Tract in service separately requires that these costs must be split between Asset Work Items (e.g. a \$500.00 survey cost must be divided into separate Purchase Request line items or the full amount is charged to one Work Item and then cost transfers are performed to spread the costs).

Most Districts with new or on-going acquisitions feel this requires an inordinate amount of administrative time and have stated they do not have the manpower to support it. Therefore, the following process is suggested to alleviate some of the administrative resources necessary if continuing the current method.

The general essence of the new process is that a single new Tract record will be created for all Land acquired by the same method on a Project. This new Tract will then be placed in service, not the individual Tracts. Details of the process are described below. New Acquisitions will be discussed first, followed by Disposals and then changes to Existing Data.

New Acquisitions

New Acquisitions refer to Land that has not been acquired or placed in service in either COEMIS or CEFMS. It does not apply to Land acquired while under COEMIS but for whatever reason not placed in service in CEFMS as yet.

The first step is to setup an Asset Work Item (using CEFMS screen 2.101) per acquisition type for Land on each civil project. That is, there should be a separate Asset Work Item (AWI) for all Land acquired by the following methods:

- Purchase/Condemnation – use Classification 1

There should be multiple Asset Work Items for each different appropriation used to purchase the Land (i.e. one for 3122 (CG), a different one for 3123 (O&M), a different one for 4902 (Revolving), etc.).

- Found On Works– use Classification 4
- Transferred In, – use Classification 5
- Donations– use Classification 7

All of the above Work Items should have a Property Category Code of "00" for Land. If the Project is a valid Power/Multi-Purpose with power Project, an Asset Work Item with a Property Category Code of "IT" for Intangible should be setup to allow amortization of certain land associated costs. The exact type of costs allowed to be amortized is contained in Appendix A, Chapter 31, ER 37-2-10.

Next, a corresponding "Parent" Tract record should be created in REMIS for each Asset Work Item created above. Upon creation in REMIS, a new Property Id Code will be generated and the Parent Tract will be placed in the shared PROPERTY table in the corporate REMIS/CEFMS database. Suggested names for the Parent Tracts:

- PURCHASE-approp symbol or simply PURCHASE – For all purchases and condemnations, where approp symbol is the appropriation symbol for the money used to acquire the property. Values are 3122, 3122 and 4902. Example PURCHASE-3122.
- DONATION – For all donated tracts
- TRANSFER – For all transferred in tracts
- FOUND-WORKS – For all found on work tracts
- ADMIN – For all IT Administrative tracts

Real Estate personnel may continue to enter individual Tracts in REMIS to record the actual Land acquired for tracking purposes. However, each new Tract Number (as assigned by Real Estate P&C personnel) should be linked to one of the above Parent Tracts. This will provide the link necessary to show what money/appropriation/method paid for each individual Tract.

Parent Tract Number Field
↓

v3.3 (1 of 2)		R E M I S GENERAL TRACT DATA		RD11
PROJECT/INST. CODE:	TRACT NO/ID:	Parent:		
Acquiring Work Item:	Acquired By:	Acquired Date:		
Acquired Method...	PURPOSE.....			
Paid to Owner...	Cost to Govt:	Donated:		
TRACT STATUS IND:	PROPERTY:	CONTAMINATION IND:	FLOOD PLAIN IND:	
EXTERIOR BOUNDARY IND:	Uneconomic Remainder Ind:	Remainder Ind:		
Merger Ind.....	Re-Acquired Ind.....	Revestment Ind:		
OWNERSHIP ESTATE.....	REQUIRED ESTATE.....	Acquired Estate:		
USAGE CODE.....		Acquired Acres:		.000
Item Desc.....		Disposed Acres:		.000
Contamination Resolved Date....		Adjusted Acres:		.000
Non-Stndrd Estate Recmnd Date:		Current Acres..		.000
Non-Stndrd Estate Apprvl Date:		Property Id:		
Requested Admin Waiver Type....		Title Except Ind.....		
Requested Admin Waiver Date....		Scheduled Poss Date:		
Approved Admin Waiver Date.....		Line Apprvl Date....		
Owner(s):				
<CTRL F2> TO LOC/ACREAGE		<CTRL F3> TO TITLE		<CTRL F4> RECORD LIST
<CTRL F5> TO ADDRESSEE		<CTRL F6> TO AUTHORIZATION		<PGDN> TO PAGE 2
<F9> TO CREATE		<END> TO COMMIT		<F10> TO EXIT

These new Property Id Codes will be the only Real Property Land records placed in service within CEFMS. The new Property Id Code should be placed in service as soon as the first tract acquired by that particular method has been officially procured. Current proper Asset Management Work Breakdown Structure (WBS) must be strictly adhered to for costs to total correctly. Any new construction in progress costs to be incurred after the land is initially placed in service should be charged to the same land asset work item (or one of its children work items). Transactions to capitalize these costs and add them to the book cost of the land will be generated by the DISTCOST program that runs each night as part of the CRON process.

This process will allow administrative type costs to be charged at a quasi Project level for Land. For example, if a single survey or appraisal covering five separate Tracts is completed, the entire amount may be charged to the single Asset Work Item for the associated method of acquisition. Currently, the

total cost of the survey or appraisal must be split between the individual Asset Work Items associated with each Tract by either doing multiple line items under the Purchase Request (PR&C) or by doing cost transfers after the fact.

This new process should significantly reduce the number of Asset Work Items needed to acquire Land for Full Federal Acquisition Projects where large numbers of Tracts must be acquired. It should also significantly reduce the amount of financial/administrative record keeping necessary to procure the property, including cost transfers. As costs continue to be incurred in CEFMS against one of the above Asset Work Items, the costs will be rolled up each night to increase the total actual cost for the Land (i.e. each Property Id Code).

Note: Separate Asset Work Items are still necessary for each Building and Structure acquired or constructed.

Disposals

Integration between REMIS and CEFMS for Real Property Disposals is currently under design and will be forthcoming in the months ahead. The design will include a reduction in the current duplicate data entry required to dispose of Real Property in both REMIS and CEFMS. This means that CEFMS screens will populate REMIS tables and vice versa.

Since all disposals of land under the above new process will be partial disposals, CEFMS will be modified to accept entry of Acreage on the Retirement and Disposal screen (Change Property Phase screen 2.28.3). The Acreage will then be used to calculate the appropriate reduction in costs for the property. REMIS will be modified to view the actual costs stored in CEFMS instead of storing the redundant data. This will eliminate the possibility of REMIS and CEFMS being out of balance for costs.

Users may currently enter the amount of costs to be reduced in the Change Property Phase screen, but the cost calculation must be done manually for the corresponding Acreage to be retired. The CEFMS Fixed Asset Sales/Leases Create / View Screen (2.93) must also be changed to accept partial disposals. Until then, **NO** partial disposals should be processed in CEFMS if money has been received for the property. The proceeds should be collected into suspense until the changes to 2.93 are in place (no bill should be created). Disposals should not be processed because improper General Ledger transactions will take place to record the Gain or Loss from the sale.

If no money is received, the Change Property Phase screen (2.28.3) may be used to directly mark the property disposed (Property Phase changed to D for Disposal – the value will automatically change to “1” on commit for the Partial Disposal amount).

Existing Property

All Tract records already in service will be modified (as allowed and practical) to follow the process as outlined in the New Acquisitions section above. The modification will be done automatically by scripts created by the REMIS/CEFMS developers. Property id codes that cannot be modified by the script will be coordinated individually with the District.

The script will create the new Parent Tract records in REMIS (and new Property Id Codes) and automatically link the existing Tract records to the appropriate Parent (based on Acquisition method and appropriation). Existing Asset Work Items will be used to link to the new Property Id Codes where appropriate and the Parent Tract will be placed in service. Finally, individual Tract records will be

removed from service so Asset Cost records will match General Ledgers (assuming they did before the change).

Records that are candidates to be done manually include any Assets against which Depreciation has occurred (e.g. IT Admin Tracts) and any records against which a transaction has taken place. Existing records should be modified so that a consistent process is used for all Land. Other reasons include the resolution of outstanding problems with separate Administrative Tracts from the Land tracts, multiple tracts acquired under one payment, and interest retained in fee Land when the Tract is disposed, to name a few.

Common Asset Management Problems

The following categories have emerged as problems common to most Districts as they work to conform to the CFO Act requirements for FY1998. Guidance on resolving each category is provided in detail below.

- ADMIN Tracts and Work Items with Property Category of IT
- RECONAST Report Variances
- Land Tracts with \$0 Costs
- Property Not Yet Placed In Service and Property on the Books that No Longer Exists
- Revolving Fund (PRIP) Real Property
- Additions and Betterments
- Multiple Property Under One Ownership
- Expired Easements
- Depreciation For Property on the Books Prior to CEFMS

1. ADMIN Tracts and Work Items with Property Category of IT

According to a memo following an HQUSACE Real Property Working Group meeting on Thursday, 27-Aug-1998 "NO ONE should have any intangible assets recorded for any non-power project. If you have some of these on your books, your going to have to reclassify the assets as what they really are. For example, if you have E&D or S&A costs tucked away in an intangible and/or other asset general ledger, you're going to have to distribute them proportionately to the project asset(s) to which they are related (Dams, Locks, Levees, Floodwalls, permanent operating equipment, etc.) so that the entire cost of the asset is properly included in the asset record regardless of whether or not a power project is involved.

"There should be no intangible assets related to land costs linked to non-power projects. If there are, they'll have to be reclassified as part of the land cost and included in the land general ledger. The forth coming guidance will include all this and more. AAA has no problem with us making a journal entry at year end to temporarily move the land costs subject to depreciation (power projects only) to the land general ledger but they do have a problem with anything else that's in an intangible asset general ledger.

"In addition, we're trying to get FERC clarification as to exactly which land costs need to be amortized as there is conflicting FERC guidance on that issue. We need to get a firm answer from FERC before we can issue any definitive guidance on the amortization of land cost issue."

"The real property work group (still part of the accountability task force set up by the DG/DCG way back when) is going to issue some guidance on the overall intangible asset issue as soon as we can get it up to the Chief for signature. In the interim it's still ok to have intangible assets at hydropower/multiple purpose with power projects as long as they relate to the amortization of land cost issue."

To make the changes needed to reclassify the ADMIN Tracts for non-power projects from IT to 00, follow the below steps in their listed order:

- a. Reverse the accumulated depreciation on the invalid IT/ADMIN Tract.
 - Navigate to the CEFMS DEPRE/INSURANCE/PLANT INCREMENT ADJUSTMENT (screen 3.101).
 - Place the value ACD in the Adjustment Type field at the top of the screen and press enter.
 - Enter the Property Id Code and press enter.

ENCE 2

- Proceed to the Transaction Amount field and enter the amount to be reversed – Be sure to use a negative amount and the value should match the value in the Accrued Amount field directly below it.
 - Commit the record.
- b. Reclassify the property category code from “IT” to “00”.
- Navigate to the CEFMS RECLASSIFY FIXED ASSET UPDATE (screen 2.26).
 - Enter the Property Id Code and press enter.
 - Proceed to the Reclassification Category Code field and enter the Property Category Code of “00”.
 - Enter Remarks in the Remarks field and commit the record.
- c. Update/Remove the rows in the ASSET_COST table where the asset_cost_type is depreciation transfer in (DTI).
- The following comments come from Don Forbus, CEFMS Development Systems Accountant, in the form of an email to an Asset Managers mailing list:
 - Change system to conversion mode (eff.dte).
 - Call up conversion real property place in service screen (RD16) menu screen. Path: 3, 9, 19.
 - Query up asset record for the property id.
 - Press <PGDN> to go to next page.
 - Press <ENTER> to move cursor to Accum Depre Amt field.
 - Press <F6> to clear field.
 - Enter 0.
 - Press <END> to commit update.
 - Press <F10> to exit screen and then query up record again in RD16 to check to insure Depre Amount is now zero.
 - Convert system to production mode and check data on 2.47.1 to make sure there is no negative book value.
 - There will be no general ledger affects for the above update and the DTI amount in asset_cost will be set to '0'.
 - Another option is to remove any rows from the ASSET_COST table where asset_cost_type = DTI for the ADMIN Tract Property_Id_Codes.

2. RECONAST Report Variances

The following comments come from Don Forbus, CEFMS Development Systems Accountant, in the form of an email to an Asset Managers mailing list:

A guide for reconciling assets was recently sent to all asset managers. The RECONAST report shows whether your fixed asset general ledgers are reconciled with your asset subsidiary records. Since this is done at the property category code level, you must insure that your fixed asset general ledger detail records have the appropriate property category code linked to them. You can use the general ledger view screens to check this. If your subsidiary asset records don't equal your general ledgers, any one or more of the following conditions may exist:

- You haven't loaded in all the individual asset subsidiary records that represent all the assets that had been placed in service in COEMIS.

- You loaded in more asset subsidiary records than were reflected in the fixed asset general ledger records in COEMIS.
- The general ledger balances converted over into CEFMS were incorrect in COEMIS.
- The general ledger accounts are not recorded at the appropriate property category code levels in the GENERAL_LEDGER_DETAIL table.
- The fixed asset general ledgers have incorrect property category codes in them. For example, if you had the buildings recorded in the structures general ledger account in COEMIS and they were converted that way into CEFMS, then your RECONAST report should show a variance for both property category codes '05' and '10'. If the variance for '10' equals the total value for the buildings, you will need to process JV transactions to move the general ledger amounts that correspond with the buildings from prop cat code '10' to '05'.

3. Land Tracts with \$0 Costs

There is a variety of reasons why REMIS may have Tract records with \$0.00 for the Paid To Owner field in the Tract screen. Among these include:

- Donated Tracts
- Transfers from other government agencies for which you may not have paperwork documenting costs
- Land exchanges
- Reserved interest – such as retaining an easement or mineral rights when fee land is disposed
- Cemeteries
- Leased Tracts

The following memo was issued by Walter R. Parker, Chief, Audit Office, Northwest Division on 01-SEP-1998.

SUBJECT: HQUSACE Guidance on Valuing Land Tracts with Easements

1. The purpose of this memorandum is to provide guidance to the Districts for resolving the issue of valuing land tracts with easements.
2. On 1 September 1998 a telephone conference call was held with John Templeton, Chief Audit Office, HQUSACE, COL Mogren, and Walter Parker. The purpose of the conference was to discuss HQUSACE guidance on valuing land tracts with easements.
3. I told John that the Portland District had the opinion that since all land tracts are valued at historical cost instead of current market values the easements should also be valued at historical cost which may be zero in some cases. John said that he disagreed and that all land tracts with easements must have a value in REMIS, the CEFMS asset cost tables, and the general ledger.
4. A HQUSACE working group is currently evaluating the Seattle District method to use script files to calculate average values to apply to land tracts with easements. John Funk and Don Forbus are working on additional scripts to take the land tracts with easements out of service, place values in the land tracts, place the tracts back in service, and update the general ledger and the CEFMS asset cost tables with the new values.
5. John said that the HQUSACE guidance will include the script files and instructions for using them. The timeframe for HQUSACE to issue this guidance is October 1998.
6. COL Mogren has given instructions for the District Real Estate Offices, Resource Management Offices, and Internal Review Offices to take no action on valuing land tracts with easements until after the HQUSACE

guidance has been published and distributed to all Corps districts. At that time the Districts will implement the HQ guidance. Then the Internal Review offices will do an audit validation on the District's actions.

7. Between now and 30 September 1998 the Districts are to concentrate their efforts on completing the five 98 CFO audit validation issues. The scope of the audit validations will not include the issue of valuing land with easements. This issue will be addressed in a separate audit validation report in October or November 1998.

8. The 30 September 1998 goal includes implementing corrective actions recommended in the audit validation reports as approved by the District Commanders. It also includes an audit revalidation of the corrective actions after they are implemented.

9. The issue of valuing land tracts with easements will be footnoted in the 30 September 1998 CFO Status Report. The footnote will include information about the HQUSACE actions to provide guidance to the Districts on this issue.

4. Property Not Yet Placed In Service and Property on the Books that does not exist

Several Districts have not had all of their existing Real Property placed in service yet (including land and improvements). The REMIS Developers have scripts available to automatically place the property in service if all the information is made available via either REMIS or spreadsheets or a combination of the two. The following is a reminder of the guidance issued during each of the REMIS/CEFMS Integration Workshops held at each Division (with the exception of SPD) and other correspondence from HQUSACE and the Real Estate Systems Support Center (RSSC) at SAI.

For all land and improvements, the property MUST be entered into REMIS. This will automatically generate a property id code and populate the District's PROPERTY table.

To have improvements placed in service, you must provide the REMIS Developers with the following information in MS Excel or Lotus spreadsheet:

- The property id code of each improvement to be placed in service.
- The acquisition/construction date of the property
- The acquired/constructed amount of the improvement (cost to govt)
- The service life years (useful life years)
- The parent work item (usually a funded work item or A-level work item)
- The appropriation used to acquire/construct the improvement (if the improvement has an addition or betterment completed prior to CEFMS Integration – include the total amount of addition and betterment, the above acquisition amount (cost to govt) and provide the appropriation used to complete the latest addition or betterment.
- The responsible employee name, organization code and employee id for the asset work item that will be created.

If the improvement is on a power/multipurpose project, also provide the following:

- Any accumulated depreciation that was charged in COEMIS
- The Purpose Code for the property under Multipurpose accounting guidelines
- The FERC Code for the improvement

To have land placed in service, you must provide the REMIS Developers with the following:

- The Asset Work Item code for the work item you have created for all land tracts acquired under a single appropriation for each project. (If you have multiple work item codes because of multiple appropriations in the acquisition process, you must provide the Tract Numbers that should be linked to each work item.